

October 30, 2000

**PETITION OF TOTAL ENVIRONMENTAL SOLUTIONS,
INC. AND SOUTH LOUISIANA ELECTRIC COOPERATIVE
ASSOCIATION FOR A TRANSFER OF CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE
UTILITY SERVICES FROM RIVIERA UTILITIES OF
TENNESSEE, INC.**

DOCKET NO.
00-00511

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before the Tennessee Regulatory Authority (the “Authority”) at the regularly scheduled Authority Conference held on October 10, 2000 on the Petition of Total Environmental Solutions, Inc. (“TESI”) and South Louisiana Electric Cooperative Association (“SLECA”), pursuant to the provisions of Tenn. Code Ann. § 65-4-113, for approval of a transfer of the authority to provide utility services currently held by Riviera Utilities of Tennessee, Inc. (“Riviera”).

Requirement of and Standards for Authority Approval

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain Authority approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113 provides as follows:

- (a) No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113 also provides the standards by which the Authority shall consider an application for transfer of authority, as follows:

(b) Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

The Petition

TESI filed its Petition with the Authority on July 15, 2000. TESI filed a Supplemental Petition on August 30, 2000. The Petition states that TESI is a Louisiana nonprofit utility located in Terrebonne Parish, Louisiana, and is a wholly-owned subsidiary of SLECA, which is a Louisiana nonprofit, member-owned electric cooperative also located in Terrebonne Parish, Louisiana. TESI was organized on July 27, 1999 for the purposes of acquiring and operating the water and sewer facilities of Johnson Properties, Inc. (“Johnson Properties”) and its subsidiaries and affiliates.

As further stated in the Petition, Riviera is a Tennessee corporation and a subsidiary of Eastern Utilities, Inc. (“Eastern”), a Louisiana corporation. Riviera owns and operates a water utility in Middleton, Tennessee. On March 12, 1999, Johnson Properties, a sister company of Eastern, filed for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Middle District of Louisiana. While Eastern is technically not in bankruptcy, because Eastern and Johnson Properties were managed by their former management as a single entity with disregard of corporate forms, the United States Trustee appointed by the Bankruptcy Court to manage Johnson Properties is seeking to consolidate all of the assets of Johnson Properties and Eastern. Accordingly, the Bankruptcy Court issued a stay order with

regard to Eastern and Riviera, bringing both entities within the jurisdiction of the Bankruptcy Court and giving the Court authority over the assets of both entities.

As stated in the Petition, Johnson Properties, by and through its various subsidiaries and related entities, operates water and sewer utilities in six (6) states: Mississippi, Louisiana, North Carolina, South Carolina, Pennsylvania, and Tennessee. Johnson Properties has facilities that are currently being used to provide drinking water and sewage treatment to customers in these states. The facilities of Johnson Properties, along with all of its certificates and franchises, are being sold pursuant to a proposed Chapter 11 Plan of Reorganization as part of the Johnson Properties bankruptcy proceeding.

The Petition states that, pursuant to an order issued by the Bankruptcy Court requiring all bidders for the Johnson Properties to “commence proceedings” with all applicable state public service commissions before being permitted to bid, TESI originally filed its Petition with the Authority on June 15, 2000. TESI submitted an offer to the Trustee in February 2000, and this offer was amended on May 11, 2000. On June 20, 23, and 28, 2000, an auction was held for all of the assets of the Bankruptcy Estate of Johnson Properties. According to the proposed Johnson Properties Bankruptcy Plan, the auction was Phase I of a two-phase Chapter 11 Plan confirmation proceeding. On or about July 14, 2000, Phase I of the confirmation proceeding was completed with the Trustee deeming TESI the only “qualified purchaser” under the Plan and accepting TESI’s bid to purchase the Johnson Properties assets for \$3,450,000.

As stated in the Petition, TESI has secured loan commitments for the acquisition of Johnson Properties and all related entities, including Riviera, for required repair costs and start-up cash flow. TESI was incorporated recently and thus has no financial background, but information filed with the Petition demonstrates that SLECA, TESI’s parent company, has substantial financial resources. The Board of Directors of TESI is made up of members of the

upper-level management staff of SLECA, all of whom have extensive backgrounds in utility service provision and utility management.

As stated in the Petition, the Supplemental Petition, and supporting documents, as well as the testimony of Paul E. Maeder, Secretary and General Manager of TESI, the proposed transfer of authority from Riviera to TESI will benefit customers currently receiving service from Riviera. Customers will benefit from the resolution of the bankruptcy proceedings in which Riviera was involved, from the managerial and financial resources of SLECA, and from TESI's commitment to provide efficient service. TESI has also stated to the Authority that any and all terminations of employees following the assumption by TESI of Riviera's operations will be based solely on job performance.

Findings

The Directors of the Authority considered this matter at a regularly scheduled Authority Conference held on October 10, 2000. Based upon careful consideration of the Petition, the Supplemental Petition, and the Exhibits thereto, and of the entire record of this matter, the Authority finds and concludes as follows:

1. That the Authority has jurisdiction over the subject matter of this Petition pursuant to Tenn. Code Ann. § 65-4-113;
2. That TESI is a Louisiana nonprofit utility and a subsidiary of SLECA, a Louisiana nonprofit utility;
3. That Riviera is a Tennessee corporation and a subsidiary of Johnson Properties;
4. That Riviera has been granted authority to provide utility service in Tennessee;
5. That as part of a purchase of the facilities of Riviera, resulting from the sale in a bankruptcy proceeding of the assets of Johnson Properties, the authority granted to Riviera will be transferred to TESI;

6. That TESI has the suitability, financial responsibility, and capability to perform efficiently the utility service to be transferred to it; and

7. That the transfer of authority will benefit the consuming public.

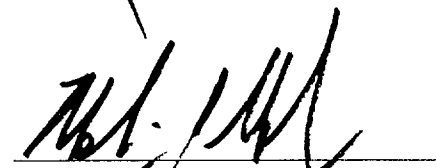
IT IS THEREFORE ORDERED THAT:

1. The Petition of Total Environmental Solutions, Inc. for approval of the transfer of authority described herein is approved; and

2. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary